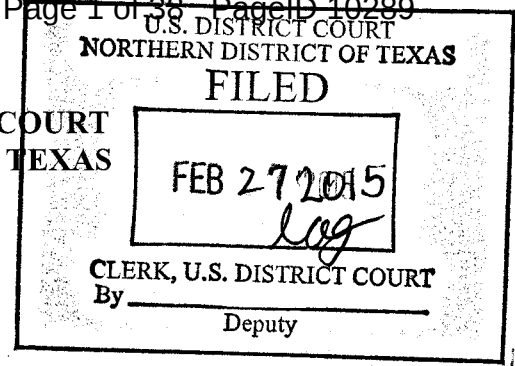


ORIGINAL

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



JEAN MELCHIOR,
Plaintiff,

v.

HILITE INTERNATIONAL, INC.,
Defendant.

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No. 3:11-CV-3094-M

COURT'S CHARGE TO THE JURY

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INTRODUCTION

In any jury trial there are, in effect, two judges. I am one of the judges; the other is the jury. It was my duty to preside over the trial and to decide what evidence was proper for your consideration. It is also my duty, now at the end of the trial, to explain to you the rules of law that you must follow and apply in arriving at your verdict.

First, I will give you some general instructions which apply in every case; for example, instructions about the burden of proof and how to judge the believability of witnesses. Then I will give you some specific rules of law about this particular case, and finally, I will explain to you the procedures you should follow in your deliberations.

GENERAL INSTRUCTIONS

It is my duty and my responsibility to instruct you on the law you are to apply in this case. The law contained in these instructions is the only law you may follow. It is your duty to follow what I instruct you the law is, regardless of any opinion that you might have as to what the law ought to be. The Plaintiff in this case is Jean Melchior, whom I will refer to as Melchior. The Defendant in this case is Hilite International, Inc., which I will refer to as Hilite.

If I have given you the impression during the trial that I favor either party, you must disregard that impression. If I have given you the impression during the trial that I have an opinion about the facts of this case, you must disregard that impression. You are the sole judges of the facts of this case. Other than my instructions to you on the law, you should disregard anything I may have said or done during the trial in arriving at your verdict.

You should consider all of the instructions about the law as a whole and regard each instruction in light of the others, without isolating a particular statement or paragraph.

The testimony of the witnesses, exhibits introduced by the parties, and stipulations of the parties constitute the evidence. The statements of counsel are not evidence; they are only arguments. It is important for you to distinguish between the arguments of counsel and the evidence on which those arguments rest. What the lawyers say or do is not evidence. You may, however, consider their arguments in light of the evidence that has been admitted and determine whether the evidence admitted in this trial supports the arguments. You must determine the facts from all the testimony that you have heard and the other evidence submitted. You are the judges of the facts, but in finding those facts, you must apply the law as I instruct you.

You are required by law to decide the case in a fair, impartial, and unbiased manner, based entirely on the law and on the evidence presented to you in the courtroom. You may not be influenced by passion, prejudice, or sympathy you might have for Melchior or Hilite in arriving at your verdict. A corporation and individuals are equal before the law and must be treated as equals in a court of justice.

On certain questions, Melchior has the burden of proving his case by a “preponderance of the evidence.” To establish something by a preponderance of the evidence means to prove it is more likely so than not so. On other questions, Hilite has the burden of proof by “clear and convincing evidence.” To establish something by clear and convincing evidence means it is highly probable that a certain fact is true. The clear and convincing evidence standard requires a greater degree of persuasion than is necessary for the preponderance of the evidence standard, but proof to an absolute certainty is not required by either standard.

In determining whether any fact has been proven by the applicable burden of proof, you may, unless otherwise instructed, consider the testimony of all the witnesses, regardless of who may have called them, and all exhibits received into evidence, regardless of who may have produced them, the stipulations, and any fair inferences and reasonable conclusions you can

draw from the facts that have been proven. In other words, you may make deductions and reach conclusions that common sense leads you to draw from the facts which have been established by the evidence.

During the trial, if I sustained objections to certain questions and exhibits, you must disregard those questions and exhibits entirely. Do not speculate as to what the witness would have said if permitted to answer the question or as to the contents of an exhibit not admitted. Also, certain testimony or other evidence may have been ordered stricken from the record, and if so, you have been instructed to disregard this evidence. Do not consider any testimony or other evidence which has been stricken or which I instructed you to disregard in reaching your decision. Your verdict must be based solely on the legally admissible evidence and testimony.

Generally speaking, there are two types of evidence. One is direct evidence, such as testimony of an eyewitness. The other is indirect or circumstantial evidence. Circumstantial evidence is evidence that proves a fact from which you can logically conclude another fact exists. As a general rule, the law makes no distinction between direct and circumstantial evidence, but simply requires that you find the facts from all of the evidence, either by a preponderance of the evidence, or, when instructed, by clear and convincing evidence.

You alone are to determine the questions of credibility or truthfulness of a witness. In weighing the testimony of a witness, you may consider the witness's manner and demeanor on the witness stand, and any feelings or interest in the case, or any prejudice or bias about the case, that he or she may have, and the consistency or inconsistency of his or her testimony considered in the light of the circumstances. You may ask yourself a few questions. Has the witness been contradicted by other credible evidence? Has he or she made statements at other times and places contrary to those made here on the witness stand? You must give the testimony of each witness the credibility you think it deserves.

Even though a witness may be a party to the action and therefore interested in its outcome, the testimony may be accepted if it is not contradicted by direct evidence or by any inference that may be drawn from the evidence, if you believe the testimony.

You are not to decide this case by counting the number of witnesses who have testified on the opposing sides. Witness testimony is weighed; witnesses are not counted. The test is not the relative number of witnesses, but the relative convincing force of the evidence. The testimony of a single witness is sufficient to prove any fact, even if a greater number of witnesses testified to the contrary, if after considering all of the other evidence, you believe that witness.

When knowledge of a technical subject matter may be helpful to the jury, a person who has special training or experience in that technical field is permitted to state his or her opinion on those technical matters. In this case, the persons entitled to state such an opinion as experts were Dr. Hullender, Mr. Smith, Dr. Ma, Dr. Poindexter, Dr. Ugone, and Mr. Carr. However, you are not required to accept any such opinion. As with any other witness, it is up to you to decide whether to rely on it. In making that decision, you may consider any bias of the witness, including any bias you may infer from evidence that the expert has been or will be paid for reviewing the case and testifying, or from evidence that he testifies regularly as an expert witness and his income from such testimony represents a significant portion of his income.

I remind you that it is your job to decide whether Melchior has proven his case of infringement by a preponderance of the evidence and whether Defendant has proven invalidity by clear and convincing evidence. In doing so, you must consider all of the evidence. This does not mean, however, that you must accept all of the evidence as true or accurate.

After I finish reading these instructions, the lawyers will make closing arguments. Remember, closing arguments are not evidence, but rather the attorneys' interpretations of what the evidence has shown or not shown.

CONTENTIONS OF THE PARTIES

The patents involved in this case are United States Patent No. 5,645,017, issued July 8, 1997, Patent No. 5,649,506, issued July 22, 1997, and Patent No. 5,507,254, issued April 16, 1996, all owned by Melchior. For your convenience, I will often refer to the patents by the last three digits of the patent number, namely, as the '017 patent, the '506 patent, and the '254 patent. Collectively, I will refer to the patents as the Melchior Patents. As you have heard, the Melchior Patents are directed to hydraulic devices, known as cam phasers, that are used in automobile engines to change the phase angle between a cam shaft and a crank shaft.

As you have also heard, Hilite manufactures a cam phaser called the Fast Phaser that it sells exclusively to Chrysler for use in certain Chrysler vehicles. Hilite also manufactures a cam phaser component called the Fam-B OCV, which it sells to GM for use in certain GM vehicles that are sold in Asia.

Melchior filed suit in this court seeking money damages from Hilite for allegedly infringing the Melchior Patents. Melchior contends that use of Hilite's Fast Phasers sold to Chrysler infringe claims 22-25 of the '017 patent and claim 5 of the '254 patent. Melchior further contends that Hilite's sales of Fam-B OCVs also infringe claims 7-10, 12-15, and 18 of the '506 patent.

Hilite contends that its sales of Fast Phasers and Fam-B OCVs do not infringe the claims of the Melchior Patents. Hilite further contends that the claims of the Melchior Patents are invalid. I will instruct you later as to the ways in which a patent may be invalid. In general, however, a patent is invalid if what it covers is not new or is obvious in view of the state of the art at the relevant time.

Your job will be to decide whether or not the Melchior Patents have been infringed and whether or not the claims asserted are invalid. If you decide that any claim of the Melchior

Patents has been infringed, you will then need to decide any money damages to be awarded to Melchior to compensate him for the infringement you have found.

It was my job to determine the meaning of any claim language that needs interpretation, and I have furnished those interpretations to you. You must accept the meanings that I have given you and use them when you decide whether any claim of the patents has been infringed and whether any claim is invalid.

ORDINARY SKILL IN THE ART

From time to time in these instructions, I will refer to a hypothetical person of “ordinary skill in the art.” This hypothetical person is presumed to be aware of the technology and knowledge that existed in the field as of January 13, 1989, the date of the application to which the Melchior Patents claim priority. The level of ordinary skill in the art includes the educational level and experience of people working in the field, the types of problems faced by workers in the field and the solutions found to those problems, and the sophistication of the technology in the field. In this case, the parties agree that the level of ordinary skill for the art involved in the Melchior Patents is a mechanical engineering degree and five years of relevant experience in the technology at issue, including a working knowledge associated with couplings, torque loads on rotating shafts, fluid power control, and fluid flow properties through valves and orifices.

CLAIMS OF THE MELCHIOR PATENTS

Patent claims may describe devices or products (which are referred to as “apparatus claims”), or they may describe processes (which are referred to as “method claims”) for making or using a product. Claims 22–25 of the ’017 patent, and claim 5 of the ’254 patent, are method claims. Claims 7–10, 12–15 and claim 18 of the ’506 patent are apparatus claims. Each method or apparatus claim requires individual steps, or requirements, called “limitations.” For example, a claim that covers a table may recite a tabletop, four legs, and the glue that secures the legs to the

tabletop. The tabletop, legs, and glue that secures the legs to the tabletop are each a separate requirement or limitation of the claim, and if the accused product does not contain every one of those limitations, or does not perform every one of those steps, there is no infringement.

INDEPENDENT AND DEPENDENT CLAIMS

This case involves two types of patent claims: independent claims and dependent claims. An “independent claim” sets forth all of the requirements, or limitations, that must be met in order to be covered by that claim. Thus, it is not necessary to look at any other claim to determine what an independent claim covers. Claims 22 and 24 of the '017 patent, claims 1, 2, 7, 12 and 18 of the '506 patent, and claim 5 of the '254 patent are independent claims.

A “dependent claim” does not itself recite all of the requirements, or limitations, of the claim but refers to another claim for some of its requirements. In this way, the claim “depends” on another claim. A dependent claim incorporates all of the requirements, or limitations, of the claims to which it refers. The dependent claim then adds its own additional requirements. To determine what a dependent claim covers, it is necessary to look at both the dependent claim and any other claims to which it refers. A product that meets all of the requirements of both the dependent claim and the claims to which it refers is covered by that dependent claim. In this case, claims 23 and 25 of the '017 patent are dependent claims, which depend on claims 22 and 24 of the '017 patent, respectively. Claims 8–10 of the '506 patent are dependent claims, which depend on claim 7 of the '506 patent. Claims 13–15 of the '506 patent are dependent claims, which depend on claim 12 of the '506 patent.

INTERPRETATION OF THE CLAIMS

In deciding whether or not a claim is infringed or invalid, the first step is to understand the meaning of the words used in the patent claims. You, as the jury, are bound by the definitions and interpretations from the court that I have given you in your notebook labeled the Court's

Claim Construction. Any claim language that I have not interpreted for you in the claim construction chart is to be given its ordinary and customary meaning as understood by one of ordinary skill in the art. My interpretation of the language of the claims should not be taken as an indication that I have a view regarding issues such as infringement and invalidity. Those issues are for you to decide.

TYPES OF INFRINGEMENT ALLEGED IN THIS CASE

Infringement is assessed on a claim-by-claim basis. Therefore, there may be infringement as to one claim but no infringement as to another.

In this case, there are four possible ways that a claim may be infringed. The four types of infringement are called: (1) direct infringement; (2) active inducement; (3) contributory infringement; and (4) infringement through the supply of components from the United States to another country. Active inducement and contributory infringement are referred to as indirect infringement. There cannot be indirect infringement without someone else engaging in direct infringement. To prove indirect infringement, Melchior must also prove that Hilite indirectly infringed and caused a direct infringement by someone.

In this case, Melchior has alleged that Chrysler directly infringes the '017 patent and '254 patent when Fast Phasers are operated in Chrysler engines. Melchior also alleges GM's operation of Fam-B OCVs in GM vehicles in Asia would constitute infringement of the Melchior Patents if such operation were to occur in the United States. Based on those allegations, Melchior contends that Hilite is liable for actively inducing, or contributing, to direct infringement by Chrysler, and that Hilite is also liable for supplying uncombined components from the United States for combination outside of the United States.

I will now explain each of these types of infringement in more detail. When I refer to Chrysler, I mean Chrysler and its customers. When I refer to GM, I mean GM and its customers.

DIRECT INFRINGEMENT

Melchior asserts that Chrysler directly infringed the asserted method claims of the '017 patent and the '254 patent. Infringement of a method claim requires that someone perform or use every step of a claimed method. To prove direct infringement of the method claims asserted, Melchior must prove by a preponderance of the evidence that Chrysler performed every step of the methods recited in claims 22–25 of the '017 patent and claim 5 of the '254 patent, within the United States, during the time the '017 was in force, which is from July 8, 1997 to July 8, 2014, and/or during the time the '254 was in force, which is from April 16, 1996 to April 16, 2013.

Melchior also asserts that GM's assembly of engines equipped with the Hilite Fam-B oil control valve would have infringed apparatus claims 7-10, 12-15 and 18 of the '506 patent if such assembly occurred in the United States. To prove that engines assembled by GM would have directly infringed claims 7-10, 12-15 and 18 of the '506 patent if such assembly occurred in the United States, Melchior must prove by a preponderance of the evidence that the accused GM engines equipped with Fam-B oil control valves meet all the limitations recited in claims 7-10, 12-15 and 18, of the '506 considered separately, during the time the '506 patent was in force, which is from July 22, 1997 to July 22, 2014. You must compare the accused GM engines with each and every one of the requirements of a claim to determine whether all of the requirements of that claim are met.

You must determine, separately for each asserted claim, whether or not there is direct infringement. There is one exception to this rule. If you find that an independent claim, i.e., a claim on which other claims depend, is not infringed, there cannot be infringement of any dependent claim that refers directly or indirectly to that independent claim. On the other hand, if you find that an independent claim has been infringed, you must still decide, separately, whether the party that practiced the method steps of the independent claim also practiced the additional

method steps of any claims that depend on the independent claim, and thus, whether those claims have also been infringed.

INDUCED INFRINGEMENT

Melchior alleges that Hilite is liable for induced infringement by actively inducing Chrysler to directly infringe the '017 and/or '254 patents. As with direct infringement, you must determine whether there has been active inducement on a claim-by-claim basis.

Hilite is liable for active inducement of a claim only if Melchior proves by a preponderance of the evidence that:

- (1) Chrysler directly infringed that claim;
- (2) Hilite took action while the '017 and '254 patents were in force, with the intent to cause infringing acts by Chrysler; and
- (3) Hilite was aware of the '017 and '254 patents and (a) knew that Chrysler's acts, if taken, would constitute infringement of the '017 and/or '254 patents, or (b) believed there was a high probability that the acts, if taken by Chrysler, would constitute infringement of the '017 and/or '254 patents, but deliberately avoided confirming that belief.

In order to prove active inducement of infringement, it is not sufficient that Chrysler directly infringes a claim, nor is it sufficient that Hilite was aware of the acts by Chrysler that allegedly constitute the direct infringement. Rather, you must find that Hilite specifically intended Chrysler to infringe the '017 and/or '254 patents, or that Hilite believed there was a high probability that Chrysler would infringe the '017 and '254 patents, but remained willfully blind to the infringing nature of Chrysler's acts.

CONTRIBUTORY INFRINGEMENT

Melchior also argues that Hilite is liable for contributing to direct infringement of the '017 and/or '254 patents by Chrysler. As with direct infringement, you must determine contributory infringement on a claim-by-claim basis.

Hilite is liable for contributory infringement of a claim if Melchior proves by a preponderance of the evidence each of the following five elements:

- (1) Hilite sells, offers to sell, or imports within the United States a component of a product, or apparatus for use in a process, while the '017 and '254 patents were in force;
- (2) the component or apparatus has no substantial, noninfringing use;
- (3) the component or apparatus constitutes a material part of the invention covered by the '017 and/or '254 patents;
- (4) Hilite is aware of the '017 and '254 patents and knows that the Fast Phasers sold to Chrysler have no other substantial use except for what would be covered by a claim of the '017 and '254 patents; and
- (5) Chrysler's use of the Fast Phasers directly infringes the claim.

INFRINGEMENT THROUGH THE SUPPLY OF COMPONENTS FROM THE UNITED STATES FOR COMBINATION ABROAD UNDER 35 U.S.C. § 271(f)(1) and (2)

Melchior also alleges that Hilite is liable for infringement under 35 U.S.C. § 271(f)(1) for its sales of Fam-B OCVs to GM in Asia. To establish such infringement, Melchior must prove all of the following:

- (1) Hilite supplies uncombined components of Fam-B OCVs from the United States to a place outside the United States, and the uncombined components of Fam-B OCVs make up all or a substantial portion of the invention described in an asserted claim of the Melchior Patents;
- (2) Hilite intends to cause GM to assemble and operate the Fam-B OCVs outside of the United States;
- (3) Hilite knows of the Melchior Patents, and knows, or should have known, that the encouraged acts constitute infringement of one or more of the Melchior Patents; and
- (4) the encouraged acts by GM would constitute direct infringement of the claim if they had been carried out in the United States.

Like inducement of infringement, it is not sufficient that GM itself allegedly performs actions that would infringe the Melchior patents if such actions occurred in the United States, nor is it sufficient that Hilite was aware of the acts that allegedly would constitute direct infringement if carried out in the United States. Rather, in order to find Hilite liable for infringement based on its sales of Fam-B OCVs to GM, you must find that Hilite specifically intended for GM to act in a manner that would infringe the Melchior patents if the act(s) occurred in the United States. If you do not find that Hilite specifically intended for GM to act in such a manner, then you must find that Hilite is not liable for infringement under 35 U.S.C.

§ 271(f)(1).

Hilite is also liable for infringement of a claim under 35 U.S.C. § 271(f)(2) if Melchior proves by a preponderance of the evidence that:

- (1) Hilite supplies the Fam-B OCV from the United States to a place outside of the United States;
- (2) the only substantial use for the Fam-B OCV is operation in a vehicle engine in a manner that would infringe if such operation had occurred in the United States;
- (3) Hilite is aware of the Melchior Patents, knows that the Fam-B OCV has no substantial noninfringing use, and knows that the Fam-B OCV may be covered by a claim of the Melchior Patents; and
- (4) Hilite intends for the Fam-B OCV to be used by GM and it was used in a product that would directly infringe the claim if it had been used in the United States.

INVALIDITY GENERALLY

Patent invalidity is a defense to patent infringement. Hilite has challenged the validity of claims 22–25 of the '017 patent, claims 1–2, 7–10, 12–15 and 18 of the '506 patent, and claim 5 of the '254 patent. Even though the PTO issued the Melchior Patents, you have the ultimate responsibility for deciding whether the asserted claims of the Melchior patents are valid.

For a patent to be valid, the subject matter claimed in the patent must be new, useful, and constitute an advance that was not obvious to one of ordinary skill in the art at the time the subject matter was made. A patent cannot take away from people their right to use what was known or what would have been obvious from what was known when the patent application was filed.

Here, Hilite contends that all of the asserted claims of the Melchior Patents already existed in the prior art and are therefore invalid, as “anticipated,” or “obvious” in light of the

prior art. Hilite also contends that the subject matter claimed in all of the asserted claims of the Melchior Patents are invalid because Ford Motor Company made the claimed inventions in the United States before January 13, 1989.

Hilite has the burden of proving invalidity by clear and convincing evidence.

PRIOR ART

Prior art refers to items that were publicly known or that have been used or offered for sale, publications, or patents that disclose the claimed invention or some elements of the claimed invention. To qualify as prior art in this case, the item or publication or patent must have been made, known, used, published, or patented before January 13, 1989, the priority date of the Melchior Patents.

ANTICIPATION

In order for someone to be entitled to a patent, the invention must actually be “new.” Hilite contends that the asserted claims of the Melchior Patents are not new. For an asserted claim to be invalid because it is not new, Hilite must show that all of the requirements of that claim were present in a previous device or method that was known, used, or described in a single previous printed publication or patent. We call such things “anticipating prior art.” To anticipate the invention, the prior art does not have to use the same words as the claim, but all of the requirements of the claim must have been disclosed, either expressly or in a way that could reasonably be inferred by a person having ordinary skill in the art, so that by looking at that single reference, a person of ordinary skill in the art could make and use the claimed invention.

In deciding whether or not a single item of prior art anticipates a patent claim, you should consider that which is expressly stated or present in the item of prior art and also that which is inherently present in it. Something is inherent in an item of prior art if it is always present in the prior art or always results from the practice of the prior art, and if a person having ordinary skill

in the technology of the invention would understand that to be the case. Anticipation must be determined on a claim-by-claim basis.

Hilite contends that claims 22–25 of the '017 patent are invalid because the claimed inventions are anticipated by German Published Patent Application No. DE 3 534 412 A1 (“Danckert”), and that is the single item of prior art you may consider for anticipation.

PRIOR INVENTION

Hilite also contends that the inventions claimed in the Melchior Patents were not new because someone else in the United States made the invention before Melchior did, that other person exercised reasonable diligence in later reducing the invention to practice, and that other person did not abandon, suppress, or conceal the invention.

Hilite contends that claims 22–25 of the '017 patent, claims 1–2, 7–10, 12–15 and 18 of the '506 patent, and claim 5 of the '254 patent are invalid because the invention defined in those claims was invented by Ford Motor Company before Melchior invented his invention.

An invention is made when it has been conceived and reduced to practice in the exercise of reasonable diligence. Conception is the formation in the mind of the inventor of a definite and permanent idea of the complete and operative invention, as it is to be applied in practice. Reduction to practice occurs at the earlier of: (1) when either the invention was actually made and was shown to work for its intended purpose, or (2) when the patent application was filed. In other words, reduction to practice can occur no later than the date the patent application was filed.

“Diligence” means working continuously, though not necessarily every day.

An invention was not abandoned, suppressed, or concealed unless (1) the prior inventor actively concealed the invention from the public, or (2) the prior inventor unreasonably delayed in making the invention publicly known. Generally, an invention was not abandoned, suppressed,

or concealed if during that period the invention was made public, sold, or offered for sale, or otherwise used for a commercial purpose. A period of delay does not constitute abandonment, suppression, or concealment if during that period the prior inventor was engaged in reasonable efforts to bring the invention to market.

To show that Ford made the invention before Melchior, Hilite must show that Ford was the first to conceive the invention, that Ford exercised reasonable diligence in later reducing the invention to practice and that Ford did not abandon, suppress, or conceal the invention.

In this case, Dr. Ma filed his United Kingdom patent application in April 1988, and on October 4, 1988, Ford received that application of Dr. Ma; and (2) the invention disclosed in Dr. Ma's patent application was constructively reduced to practice by Ford on October 22, 1990, when Ford filed a U.S. patent application on Dr. Ma's invention.

Accordingly, you must determine (a) whether the United Kingdom patent application of Dr. Ma discloses the inventions claimed in the Melchior patents; (b) whether Ford exercised reasonable diligence between October 4, 1988 and October 22, 1990 in reducing the invention disclosed in Dr. Ma's patent application to practice, and (c) whether Ford did not abandon, suppress, or conceal that invention during the same time period.

OBVIOUSNESS

Even though an invention may not have been identically disclosed by a single instance of prior art or described before it was made by an inventor, in order to be patentable, the invention must also not have been obvious to a person of ordinary skill in the art at the time the invention was made.

The existence of each and every element of the claimed invention in various pieces of prior art does not necessarily prove obviousness. Most, if not all, inventions rely on building blocks of prior art. In considering whether a claimed invention is obvious based on various pieces of prior art, you may, but are not required to, find obviousness if you find that at the time of the claimed invention there was a reason that would have prompted a person of ordinary skill in the art to combine the known elements in a way the claimed invention does.

In determining whether the claimed invention was obvious, consider each claim separately. Do not use hindsight; in other words, consider only what was known at the time of the invention.

In making the assessment of obviousness, you should take into account any objective evidence, sometimes called “secondary considerations,” that may shed light on the obviousness or not of the claimed invention, such as:

- a. Whether the invention was commercially successful as a result of the merits of the claimed invention;
- b. Whether the invention satisfied a long-felt need;
- c. Whether others had tried and failed to make the invention;
- d. Whether others invented the invention at roughly the same time;
- e. Whether others copied the invention;

- f. Whether there were changes or related technologies or market needs contemporaneous with the invention;
- g. Whether the invention achieved unexpected results;
- h. Whether others in the field praised the invention;
- i. Whether persons having ordinary skill in the art of the invention expressed surprise or disbelief regarding the invention;
- j. Whether others sought or obtained rights to the patent from the patent holder; and
- k. Whether the inventor proceeded contrary to accepted wisdom in the field.

Each of these factors must be evaluated in any order you wish for each of the claims.

These objective indications are only relevant to obviousness if there is a connection, or nexus, between them and the subject matter covered by the patent claim. For example, commercial success, failure of others, and copying is relevant to obviousness only if that occurrence is attributable to a feature of the patent claim. If the commercial success is a result of innovative marketing or contributions of a third party, and not to a patented feature, then you should not consider it to be an indication of non-obviousness. So too if the feature that creates the commercial success was known in the prior art, the success is not pertinent. Likewise, when a product is covered by more than one patent, there is no presumption that the patented product's commercial success, if any, was due to any one of those patents. Thus, in such circumstances, no presumption of a nexus with commercial success exists.

The presence of any of the above objective indications may suggest that the invention was not obvious. No factor alone is dispositive, and you must consider the obviousness or non-obviousness of the invention as a whole.

PRIOR ART ARGUED ON OBVIOUSNESS

In considering whether the claimed invention was obvious at the time it was made, you should consider the scope and content of the following prior art:

- a. German Published Patent Application No. DE 3 534 412 C2 to Danckert – *Device for Load and Speed Dependent Adjustment of the Timing of a Gas Exchange Valve of an Internal Combustion Engine*; and
- b. U.S. Patent No. 4,858,572 to Shirai, Okabe and Kobayashi – *Device for Adjusting an Angular Phase Difference Between Two Elements*.

You must consider the disclosures contained within these prior art references in combination with each other in determining whether any of the asserted claims are obvious.

You should analyze whether there are relevant differences between the prior art and the claimed invention from the viewpoint of a person of ordinary skill in the art at the time of the invention. Your analysis must determine the impact, if any, of such differences on the obviousness or nonobviousness of the invention as a whole, and not merely some portion of it.

DAMAGES

Any damages you award must be adequate to compensate Melchior for any infringement you have found. They are not meant to punish an infringer. Any damages award should put Melchior in approximately the same financial position that he would have been in had the infringement not occurred.

Melchior has the burden to establish the amount of his damages by a preponderance of the evidence. You should award only those damages that Melchior establishes that he more likely than not suffered. Melchior is not entitled to damages that are remote or speculative.

If you find that Hilite has infringed any claims of the Melchior patents, Melchior is entitled to recover no less than a reasonable royalty for each infringing sale.

REASONABLE ROYALTY—DEFINITION

A royalty is a payment made to a patent holder in exchange for the right to make, use, or sell the claimed invention. A reasonable royalty is the amount of royalty payment that a patent holder and the infringer would have agreed to in a hypothetical negotiation, taking place at a time prior to when the infringement first began.

In considering this hypothetical negotiation, you should focus on what the expectations of the patent holder and the infringer would have been had they entered into an agreement at that time, and had they acted reasonably in their negotiations. In determining this, you must assume that both parties believed the patent was valid and infringed and the patent holder and infringer were willing to enter into an agreement. The reasonable royalty you determine must be a royalty that would have resulted from the hypothetical negotiation, and not simply a royalty either party would have preferred. Evidence of things that happened after the infringement first began can be considered in evaluating the reasonable royalty only to the extent that the evidence aids in assessing what royalty would have resulted from a hypothetical negotiation. Although evidence

of the actual profits an alleged infringer made may be used to determine the anticipated profits at the time of the hypothetical negotiation, the royalty may not be limited or increased based on the actual profits the alleged infringer made.

REASONABLE ROYALTY—RELEVANT FACTORS

In determining the reasonable royalty, you should consider all the facts known and available to the parties at the time the infringement began. Some of the factors that you may consider in making a determination of a reasonable royalty are:

- (1) The royalties received by the patent holder for the licensing of the patents-in-suit, proving or tending to prove an established royalty.
- (2) The rates paid by the alleged infringer for the use of other patents comparable to the patents-in-suit.
- (3) The nature and scope of the license, as exclusive or nonexclusive, or as restricted or nonrestricted in terms of territory or with respect to whom the manufactured products may be sold.
- (4) The patent holder's established policy and marketing program to maintain his patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.
- (5) Any commercial relationship between the patent holder and the alleged infringer.
- (6) The effect of selling the patented specialty in promoting sales of other products of the alleged infringer, the existing value of the invention to the patent holder as a generator of sales of his nonpatented items, and the extent of such derivative or convoyed sales.
- (7) The duration of the patent and the term of the license.

- (8) The established profitability of the product made under the patents, its commercial success, and its current popularity.
- (9) The utility and advantages of the patented property over the old modes or devices, if any, that had been used for working out similar results.
- (10) The nature of the patented invention, the character of the commercial embodiment of it as owned and produced by the alleged infringer, and the benefits to those who have used the invention.
- (11) The extent to which the alleged infringer has made use of the invention and any evidence probative of the value of that use.
- (12) The portion of the profit or of the selling prices that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions.
- (13) The portion of the realizable profits that should be credited to the invention as distinguished from nonpatented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.
- (14) The opinion and testimony of qualified experts.
- (15) The amount that a licensor and a licensee would have agreed upon at the time the infringement began if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee—who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention—would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patentee who was willing to grant a license.

No one factor is dispositive, and you can and should consider the evidence that has been presented to you in this case, if any, on each of these factors, and you are entitled to determine that some of the factors do not apply here. You may also consider any other factors which in your mind would have increased or decreased the royalty the infringer would have been willing to pay and the patent holder would have been willing to accept, acting as normally prudent business people. The final factor establishes the framework which you should use in determining a reasonable royalty, that is, the payment that would have resulted from a negotiation between Melchior and Hilite taking place at a time prior to when the infringement began.

To the extent you calculate the damages, you should keep in mind that the law requires sound economic proof of the nature of the market and likely outcomes with infringement factored out of the economic picture. Melchior bears the burden of proof of proving damages with sound economic and factual predicates. Calculated damages must be carefully tied to the supposed invention's footprint in the marketplace.

To calculate damages based on indirect infringement (inducement or contributory), you should only consider the revenues related to those specifically identified instances of alleged third party direct infringement by someone other than Hilite, as proven by Melchior.

JURY QUESTIONS

DIRECT INFRINGEMENT

1. **Did Melchior prove by a preponderance of the evidence that Chrysler directly infringed any of the asserted claims of the '017 patent?**

Answer "yes" or "no" as to Claim 22.

Claim 22 yes

Only if you answered "yes" as to Claim 22, then answer Claim 23.

Claim 23 yes

Answer "yes" or "no" as to Claim 24.

Claim 24 yes

Only if you answered "yes" as to Claim 24, then answer Claim 25.

Claim 25 yes

2. **Did Melchior prove by a preponderance of the evidence that Chrysler directly infringed Claim 5 of the '254 patent? (Answer "yes" or "no")**

yes

If you answered yes to any claim in question 1 or 2, then proceed to Questions 3, 4, 5, and 6 for the same claims. Otherwise, skip to question 7.

INDUCED INFRINGEMENT

3. Did Melchior prove by a preponderance of the evidence that Hilite actively induced Chrysler to directly infringe any of the claims of the '017 patent that you found infringed in your answer to question 1?

Answer "yes" or "no" as to Claim 22.

Claim 22

yes

Only if you answered "yes" as to Claim 22, then answer Claim 23.

Claim 23

yes

Answer "yes" or "no" as to Claim 24.

Claim 24

yes

Only if you answered "yes" as to Claim 24, then answer Claim 25.

Claim 25

yes

4. If you found Claim 5 of the '254 patent directly infringed in your answer to question 2, did Melchior prove by a preponderance of the evidence that Hilite actively induced Chrysler to directly infringe Claim 5 of the '254 patent? (Answer "yes" or "no")

yes

CONTRIBUTORY INFRINGEMENT

5. Did Melchior prove by a preponderance of the evidence that sales of Fast Phasers by Hilite to Chrysler contributed to the infringement found by you in your answer to question 1?

Answer "yes" or "no" as to Claim 22.

Claim 22

yes

Only if you answered "yes" as to Claim 22, then answer Claim 23.

Claim 23

yes

Answer "yes" or "no" as to Claim 24.

Claim 24

yes

Only if you answered "yes" as to Claim 24, then answer Claim 25.

Claim 25

yes

6. If you found Claim 5 of the '254 patent directly infringed in your answer to question 2, did Melchior prove by a preponderance of the evidence that sales of Fast Phasers by Hilite to Chrysler contributed to the infringement found by you in your answer to question 2? (Answer "yes" or "no")

yes

INFRINGEMENT THROUGH THE SUPPLY OF COMPONENTS FROM UNITED STATES FOR COMBINATION ABROAD

7. Did Melchior prove by a preponderance of the evidence that GM performed acts that would have directly infringed any of the asserted claims of the '506 patent if such acts were performed in the United States?

Answer "yes" or "no" as to Claim 7.

Claim 7

yes

Only if you answered "yes" to Claim 7, then answer for Claims 8–10. Otherwise, answer as to Claim 12.

Claim 8

yes

Claim 9

yes

Claim 10

yes

Answer "yes" or "no" as to Claim 12.

Claim 12

yes

Only if you answered "yes" as to Claim 12, then answer Claims 13–15. Otherwise, answer as to Claim 18.

Claim 13

yes

Claim 14

yes

Claim 15

yes

Answer "yes" or "no" as to Claim 18.

Claim 18

yes

If you answered "yes" as to any claim in Question 7, then proceed to Question 8. Otherwise, answer Question 9.

8. Did Melchior prove by a preponderance of the evidence that Hilite's sales of Fam-B OCVs to GM in Asia infringe any asserted claim of the '506 patent? (Answer "yes" or "no" as to each claim under both 35 U.S.C. § 271(f)(1) and 35 U.S.C. § 271(f)(2)).

§ 271(f)(1)

§ 271(f)(2)

Answer "yes" or "no" as to Claim 7.

Claim 7

yes

yes

Only if you answered "yes" to Claim 7, then answer Claims 8-10. Otherwise, answer as to Claim 12.

Claim 8

yes

yes

Claim 9

yes

yes

Claim 10

yes

yes

Answer "yes" or "no" as to Claim 12.

Claim 12

yes

yes

Only if you answered "yes" as to Claim 12, then answer Claims 13–15. Otherwise, answer as to Claim 18.

Claim 13	<u>yes</u>	<u>yes</u>
Claim 14	<u>yes</u>	<u>yes</u>
Claim 15	<u>yes</u>	<u>yes</u>

Answer "yes" or "no" as to Claim 18.

Claim 18	<u>yes</u>	<u>yes</u>
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ANTICIPATION

9. Did Hilite prove by clear and convincing evidence that the asserted claims of the '017 patent are anticipated by the Danckert reference?

Answer "yes" or "no" as to Claim 22.

Claim 22

NO

Only if you answered "yes" as to Claim 22, then answer Claim 23.

Claim 23

Answer "yes" or "no" as to Claim 24.

Claim 24

NO

Only if you answered "yes" as to Claim 24, then answer Claim 25.

Claim 25

PRIOR INVENTION

10. Hilite has the burden of proof by clear and convincing evidence on each of the following questions.

a. Does the United Kingdom patent application of Dr. Ma disclose the invention claimed in the Melchior patents in a manner that would enable a person of ordinary skill in the art to make and use the invention? (Answer “yes” or “no”)

NO

b. Did Ford exercise reasonable diligence between October 4, 1988 and October 22, 1990 in reducing the invention disclosed in Dr. Ma’s patent application to practice? (Answer “yes” or “no”)

NO

c. Did Ford maintain the invention disclosed in Dr. Ma’s patent application, and not abandon, suppress, or conceal the invention between October 4, 1988 and October 22, 1990? (Answer “yes” or “no”)

NO

OBVIOUSNESS

11. Did Hilite prove by clear and convincing evidence that the following claims 22–25 of the '017 patents are obvious? (Answer “yes” or “no” as to each claim)

Answer “yes” or “no” as to Claim 22.

Claim 22

NO

Only if you answered “yes” as to Claim 22, then answer Claim 23.

Claim 23

Answer “yes” or “no” as to Claim 24.

Claim 24

NO

Only if you answered “yes” as to Claim 24, then answer Claim 25.

Claim 25

12. Did Hilite prove by clear and convincing evidence that claims 1–2, 7–10, 12–15, and claim 18 of the '506 patent are obvious? (Answer “yes” or “no” as to each claim)

Answer “yes” or “no” as to Claim 1.

Claim 1

NO

Answer “yes” or “no” as to Claim 2.

Claim 2

NO

Answer “yes” or “no” as to Claim 7.

Claim 7

NO

Only if you answered "yes" to Claim 7, then answer Claims 8–10.

Claim 8 _____

Claim 9 _____

Claim 10 _____

Answer "yes" or "no" as to Claim 12.

Claim 12 NO

Only if you answered "yes" as to Claim 12, then answer Claims 13–15.

Claim 13 _____

Claim 14 _____

Claim 15 _____

Answer "yes" or "no" as to Claim 18.

Claim 18 NO

13. Did Hilite prove by clear and convincing evidence that claim 5 of the '254 patent is obvious? (Answer "yes" or "no")

NO

DAMAGES

If, and only if, you answered "yes" to any part of questions 3, 4, 5, or 6, should you answer the following question. (Answer in dollars and cents, if any)

14. What amount of reasonable royalty, if any, has Melchior proven by a preponderance of the evidence that he is entitled to for the patent infringement by Hilite for sales of the Fast Phaser to Chrysler that you have found? (Answer in dollars and cents, if any, or "none")

\$ 14,530,692

If, and only if, you answered "yes" to any part of question 7 and 8, answer the following question. (Answer in dollars and cents, if any)

15. What amount of reasonable royalty, if any, has Melchior proven by a preponderance of the evidence that he is entitled to for the patent infringement by Hilite for sales of the Fam-B to GM that you have found? (Answer in dollars and cents, if any, or "none")

\$ 2,249,172

POST ARGUMENT INSTRUCTIONS

To reach a verdict, all of you must agree. Your verdict must be unanimous. Your deliberations will be secret. You will never have to explain your verdict to anyone.

It is your duty to consult with one another and to deliberate in an effort to reach agreement if you can do so. Each of you must decide the case for yourself, but only after an impartial consideration of the evidence with your fellow jurors. During your deliberations, do not hesitate to reexamine your own opinions and change your mind if convinced that you were wrong. But do not give up your honest beliefs as to the weight or effect of the evidence solely because of the opinion of your fellow jurors, or for the mere purpose of returning a verdict.

When you go to the jury room, the first thing that you should do is select one of your number as your foreperson, who will help to guide your deliberations and will speak for you here in the courtroom.

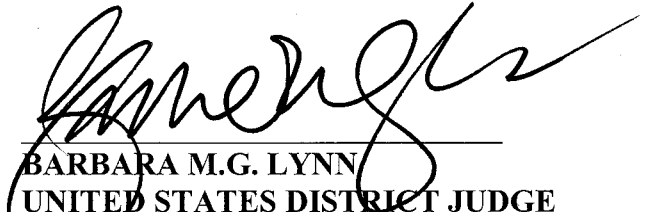
A form of verdict has been prepared for your convenience. The foreperson will write the unanimous answer of the jury in the space provided for each question. At the conclusion of your deliberations, the foreperson should date and sign the verdict.

If you need to communicate with me during your deliberations, the foreperson should write the message and give it to the Court Security Officer. I will either reply in writing or bring you back into the court to answer your message.

I want to advise you that although our court reporter has taken down all of the testimony, it is not done in such a way that we can read back or furnish testimony to you at your request. Only when you have a specific disagreement as to a particular witness's testimony on a specific subject can we attempt to obtain that information for you.

Bear in mind that you are never to reveal to any person, not even to the court, how the jury stands, numerically or otherwise, on any question, until after you have reached a unanimous verdict, unless I instruct you otherwise.

February 27, 2015



BARBARA M.G. LYNN
UNITED STATES DISTRICT JUDGE
NORTHERN DISTRICT OF TEXAS

Verdict of the Jury

We, the jury, have answered the above and foregoing questions as indicated, and herewith return the same into Court as our verdict.

Dated: Feb 27, 2015.

~~REP~~PERSON

